

Message Text

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E.O. 11652: N/A

TAGS: ELAB, NL

SUBJECT: REACTIONS TO DUTCH PROFIT SHARING SCHEME

REF: THE HAGUE 2671

1. SUMMARY: PRELIMINARY REACTIONS OF INTERESTED PARTIES TO DUTCH GOVERNMENT'S PROPOSED PROFIT SHARING SCHEME SHOW IT TO BE "THE PERFECT COMPROMISE." EVERYONE IS DIS-SATISFIED. END SUMMARY.

2. FEDERATION OF DUTCH TRADE UNIONS (FNV) IS CRITICAL OF THE INITIAL VAD PERCENTAGE OF 10 PERCENT. FNV CHAIRMAN KOK HAD ASKED FOR 50 PERCENT "AS A COMPROMISE." LINKAGE OF VAD TO RELATIVE MOVEMENTS OF LABOR PRODUCTIVITY AND WAGES IS PARTICULARLY OBJECTIONABLE TO FNV. CHRISTIAN TRADE UNIONS (CNV) HAVE EXPRESSED SIMILAR VIEWS. FEDERATION OF HIGHER
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PERSONNEL (MHP), REPRESENTING WHITE-COLLAR WORKERS, IS

WORRIED ABOUT DEMISE OF EXISTING COMPANY PROFIT-SHARING SCHEMES.

3. EMPLOYERS' FEDERATIONS WARN OF THE ADVERSE IMPACT ON INVESTMENT, WHICH ALREADY FACES A NON-TOO-WARM CLIMATE IN THE NETHERLANDS. RETROACTIVE INTRODUCTION IS CALLED "TOTALLY UNACCEPTABLE" BY THE EMPLOYERS. ADMINISTRATION OF THE FUND BY THE TRADE UNIONS (WHO REPRESENT ONE-THIRD OR LESS OF THE DUTCH LABOR FORCE) IS ALSO QUESTIONED. EMPLOYERS WOULD PREFER INDIVIDUAL PROFIT-SHARING REGULATIONS.

4. THE LABOR PARTY (PVDA) CRITICIZES THE VAD BECAUSE THE PERCENTAGE IS TOO LOW AND BECAUSE IT IS NOT COLLECTIVIST ENOUGH; I.E. THE SHARE RESERVED FOR WORKERS IN FIRMS EARNING EXCESS PROFITS IS TOO HIGH. ON THE OTHER HAND, THE CONFEDERATION OF PROFESSIONAL PARTIES IN THE GOVERNMENT CRITICIZE THE FUND FOR BEING TOO COLLECTIVIST AND QUESTION THE EXCLUSIVE ADMINISTRATION OF THE FUND BY TRADE UNIONS. THE OPPOSITION LIBERALS (VVD) ARE CRITICAL OF THE WHOLE CONCEPT, ESPECIALLY IN VIEW OF CURRENT ECONOMIC PROBLEMS.

5. FOREIGN INVESTORS VIEW THE VAD WITH CONSIDERABLE TREPIDATION, BUT BOTH THEY AND DUTCH FIRMS SEEM RESIGNED TO ITS INEVITABILITY. FOREIGN FIRMS ALREADY ESTABLISHED HERE, INCLUDING US, HAVE AVOIDED PUBLIC CRITICISM AND SEEM TO BE WILLING TO "SIT TIGHT" TO SEE HOW THE SCHEME WILL ACTUALLY AFFECT THEM BEFORE TAKING ANY ACTION OTHER THAN PRIVATELY EXPRESSING THEIR CONCERN TO GOVERNMENT OFFICIALS AND OTHERS. POTENTIAL NEW INVESTORS, HOWEVER, MAY CONSIDER THE VAD A MORE SERIOUS PROBLEM UNLESS THERE ARE SUBSTANTIAL CHANGES.

6. COMMENT: ALTHOUGH THE PROVISIONS OF THE BILL HAVE BEEN ALMOST UNIVERSALLY CRITICIZED, IT REPRESENTS A CAREFUL COMPROMISE AMONG THE COALITION PARTNERS WHO, DESPITE SHARP DISAGREEMENT ON THE DETAILS, SHARE A COMMON COMMITMENT TO THE PRINCIPLE BEHIND THE VAD PROPOSAL. PARLIAMENTARY DEBATE CAN THUS BE EXPECTED TO FOCUS ON THE DETAILS OF IMPLEMENTATION, ESPECIALLY THE RATE OF PROFIT SHARING, CONTROL OF THE FUND BY THE UNIONS AND THE INCENTIVE ASPECTS ASSOCIATED WITH TYING THE VAD RATE TO LABOR PRODUCTIVITY AND WAGES AND WITH RESERVING LIMITED OFFICIAL USE

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A PART OF THE FUND FOR WORKERS IN FIRMS MAKING EXCESS PROFITS. OPPONENTS OF VAD CAN BE EXPECTED TO CONCENTRATE ON ITS ADVERSE IMPACT ON INVESTMENT AND THUS EMPLOYMENT DURING A PERIOD OF ECONOMIC DIFFICULTY. A KEY STUMBLING BLOCK NOT YET GIVEN MUCH ATTENTION WOULD BE THE EFFECT ON EXISTING COMPANY PROFIT SHARING SCHEMES. SINCE MANY FIRMS HAVE SUCH SCHEMES, MANNER IN WHICH VAD LEGISLATION ADDRESSES EXISTING PROFIT SHARING ARRANGEMENTS COULD SERIOUSLY AFFECT COMPANY WORKERS

AND THEIR ATTITUDES TOWARD VAD.
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